

SUBCOMMITTEE NO. 3

Health, Human Services, Labor & Veteran's Affairs

Agenda

Chair, Senator Elaine K. Alquist
Senator Alex Padilla
Senator Dave Cogdill



Agenda – Part A

Thursday, April 12, 2007
Upon Adjournment of Session
Room 4203 (John L. Burton Hearing Room)
(Eileen Cubanski, Consultant)

Vote-Only Agenda

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Vote-Only Agenda

Vote-Only Issue 1: California HIV/Auto-Immune Disorder Demonstration Project

Description: The budget proposes \$3.3 million in federal fund authority for the Department of Rehabilitation (DOR) to continue implementation of the California HIV/Auto-Immune Disorder (HIV/AIDS) Demonstration Project. No new positions are requested. The funding is from a federal Social Services Administration (SSA) grant.

Background: Beginning October 1, 2006, DOR was awarded a five-year grant of \$12.0 million to study various interventions to assist Supplemental Security Income (SSI) Program beneficiaries with HIV/AIDS in returning to work. The three objectives of the project are to: 1) develop creative and proactive employment supports; 2) increase the self-sufficiency of HIV/AIDS SSI beneficiaries by decreasing their reliance on public benefits; and 3) support a research and evaluation study of the project by Mathematica Policy Research that is being separately funded by the SSA.

The DOR is using a request for proposal (RFP) competitive process to select a contractor for data management and site coordination. The DOR is also using a separate RFP competitive process to select community support services contractors who will work with project participants. The SSA grant requires a non-federal match of five percent to the total funding, or \$598,500 over five years, which will be provided entirely by the contracting agencies selected through the RFP process. The project is expected to serve an additional 800 DOR consumers with HIV/AIDS.

Staff Recommendation: Approve as budgeted.

Discussion Agenda

5160 Department of Rehabilitation (DOR)

DOR Issue 1: Office Building (OB) 10 Relocation Support

Description: The budget proposes an increase of \$4.0 million (\$2.0 million General Fund) for the Department of Rehabilitation (DOR) to furnish, occupy, and operate from OB 10 (721 Capitol Mall) in the summer of 2007. Of the total, \$851,000 is one-time.

Background: In fiscal year 2001-02, DOR began discussions with the Department of General Services (DGS) regarding options for DOR to move from their current location at 2000 Evergreen Street back to the downtown area. In May 2003, DOR received formal notification from DGS (with confirmation from the Department of Finance) that DOR would become the occupant of OB 10. The DOR agreed to become the tenant contingent on an augmentation to their budget to cover any increased facilities and moving costs. Without a budget augmentation, DOR will not be able to fund the relocation to and increased rent for OB 10 without redirecting federal Vocational Rehabilitation (VR) funds from services to consumers.

The majority of the requested funds (\$3.1 million) would be used to cover increased rent costs. The rental cost is currently an estimate of those costs. The final rent amount will not be known until total bond debt service is calculated and other maintenance costs charged by DGS are known. The DOR indicates that these estimates will be finalized at the May Revision. The remainder of the funds requested are one-time and would be used to complete the move, including furnishing and equipping the new building, moving costs, costs to dispose of private office and modular furniture that can no longer be used, telecommunications costs, and technical support for new IT equipment and network infrastructure.

Questions:

1. Department, please describe the budget request and why the additional costs cannot be absorbed within current resources.

Staff Recommendation: Hold open until May Revision pending final costs for rent at the new facility.

DOR Issue 2: Electronic Records System

Description: The budget requests \$466,000 of increased federal fund authority to begin the initial development and procurement process for a new Electronic Records System to replace the existing Field Computer System. The Department of Rehabilitation (DOR) has submitted a feasibility study report to the Department of Finance for this project.

Background: The Department of Rehabilitation (DOR) implemented the Field Computer System in 1990 to partially automate DOR case service functions previously recorded on paper. However, a number of the business functions remain a paper-only process due to limitations of the Field Computer System's design. The technical architecture of the applications supporting the system is based on obsolete technology making the system extremely difficult to maintain. In addition, the Field Computer System cannot track and report performance data now required by the federal government. Inability to provide this information could lead to the loss of federal funds in future fiscal years.

The Electronic Records System would be a commercial off-the-shelf (COTS) product to replace the Field Computer System. The new system would allow DOR to comply with federal reporting requirements as well as fully automate consumer and vendor financial data and payments. The project is scheduled to be completed in 2010-11 at a total cost of \$15.8 million.

LAO Concerns: Although the Legislative Analyst's Office (LAO) concurs with the need for new technology, they have concerns about the project timeline and the funding source. The cost of the Electronic Records System is dependent on the proposed project schedule. Based on the LAO's review, they believe that the schedule provided in the approved FSR underestimates the time required for certain activities necessary to prepare users for the implementation of a new system. The LAO notes that the proposed system will require extensive user involvement and training and will require a data conversion effort in order to continue uninterrupted case services and vendor payments. An underestimation of the project schedule will lead to increased costs when the project schedule is revised through the procurement process.

The LAO is also concerned that the federal carryover funds proposed to fund the development and implementation of the Electronic Records System may not be available in future fiscal years. Carryover funds vary from year to year. To the extent that federal funds are not available, it is likely that General Fund support will be required in subsequent years in order to complete the system. The General Fund exposure could be as much as \$4.4 million in 2008-09 and \$4.6 million in 2009-10.

Questions:

1. LAO, please describe the proposed project and your concerns about it.
2. Department, respond to the LAO, explaining whether, and why, you disagree with their assessment.

Staff Recommendation: Approve as budgeted. The COTS system that will be procured for California's VR program has been successfully implemented in over 20 other states, including other large states, within the proposed timelines. The Legislature will also have another opportunity to provide input to the project as part of the 2008-09 budget process, when the request for proposals will be completed and actual costs are known.

DOR Issue 3: Department of Rehabilitation Requirements in the Statutory Subvention Process

Description: This proposal would result in the enactment of trailer bill language to revise the documents that the Department of Rehabilitation (DOR) provides as part of the statutory subvention process. With the transfer of the Habilitation Services Program to the Department of Developmental Services (DDS) on July 1, 2004, it is no longer appropriate for DOR to use the subvention process as it is currently prescribed in statute for other departments in building their annual budget.

Background: The Vocational Rehabilitation (VR) grant is administered by the federal government and is provided to DOR to provide vocational rehabilitation services to individuals with disabilities. The federal government does not dictate how the grant must be divided between direct services and administration, and the total amount of the VR grant provided to California is not based on the number of consumers served.

The DOR began providing subvention tables to the Department of Finance (DOF) in 2003 for the purposes of budgeting for the Habilitation Services Program. Subvention tables were needed because the Habilitation Services Program is an entitlement program funded with General Fund "local assistance" (subvention) category. The nature of local assistance subvention funding dictates that the funding is given to local providers who in turn perform services directly to consumers. Conversely, VR grant funds are provided by DOR as direct services to consumers; thus the VR funding is not subvented to local providers. However, DOF required that DOR provide subvention tables for both the federal VR funds and the Habilitation Services Program General Funds.

The Habilitation Services Program was transferred to the Department of Developmental DDS commencing July 2004. Therefore, it is not appropriate to include DOR in the existing statutory subvention process. Use of the subvention process for budgeting federal VR funds prevents funds from being allocated in the most programmatically efficient way. Although DOR should still be required to submit caseload and fiscal documents by the existing statutory deadlines in building their budget, the documents should allow DOR to more efficiently use their funds.

Questions:

1. Department, please describe the problem with using the subvention process to budget federal Vocational Rehabilitation funding.

Staff Recommendation: Direct Subcommittee staff to work with the Department of Finance, the Department of Rehabilitation, and the Legislative Analyst's Office to revise the budget documents DOR is statutorily required to submit and develop trailer bill language implementing those revisions.